actual fact better off to the extent of one halfpenny, because all will be in the same position with regard to one another; their relative shares in the enterprise will not have been altered. If we imagine, by way of simplifying the problem, that all the Ordinary shares were in one hand, that one holder would have had in his Ordinary shares a claim to the total assets of the company, that is to say, to its earning power as long as it is a going concern, and to whatever its assets realise if it went into liquidation; the fact that £1,000,000 worth of the assets had been bought out of past profits or premiums paid on new issues of shares would have already added to the value of the claim that he had on the property of the company, and no addition would be made to that value by turning the reserve fund into shares.

In other words, the reserve fund is already the property of the shareholders, and to convert it from reserve fund into capital, making them a present of new shares, which merely represent their claim to the assets held against the reserve fund, is as empty a gift as presenting a man with a piece of paper informing him that he is the owner of his own hat. All this remains equally true if, besides the ordinary capital, there is a considerable amount outstanding of Preference shares and Debenture debt. In any case, the Ordinary shareholders possess a claim to the earning power of the company when

prior charges have been satisfied, and to whatever surplus may remain on liquidation after first charges have been paid off in full. Whether that interest of theirs is